

Grundy Center Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2004

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Grundy Center Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2003 Election)

Keely Harken	President	2004
Donnarae Cranston	Vice President	2003
Dan Davie	Board Member	2003
Mark Dunnick	Board Member	2004
Doug Jordan	Board Member	2005

Board of Education

(After September 2003 Election)

Donnarae Cranston	President	2006
Mark Dunnick	Vice President	2004
Keely Harken	Board Member	2004
Dan Davie	Board Member	2006
Doug Jordan	Board Member	2005

School Officials

John Stevens	Superintendent	2004
Mary Boege	District Secretary/Treasurer and Business Manager	2004
T.J. Heronimus	Attorney	2004

Independent Auditor's Report

To the Board of Education of
Grundy Center Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District, Grundy Center, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Grundy Center Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, Grundy Center Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated August 11, 2004 on my consideration of Grundy Center Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grundy Center Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which are presented herein) and expressed a qualified opinion on those financial statements, due to the omission of fixed asset balances. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A rectangular box containing a handwritten signature in black ink. The signature appears to read "Keith Oltrogge".

Keith Oltrogge
Certified Public Accountant

August 11, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Grundy Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,920,157 in fiscal 2003 to \$5,060,521 in fiscal 2004, while General Fund expenditures decreased from \$4,784,096 in fiscal 2003 to \$4,757,448 in fiscal 2004. The District's General Fund balance increased from \$777,525 in fiscal 2003 to \$1,080,598 in fiscal 2004, a 28% increase.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2004. The decrease in expenditures was due primarily to a decrease in the negotiated salary and benefits, and the restructuring of the administrative team.
- In February 2004, Tama and Grundy Counties passed the 1% Local Option Sales and Services (SILO) tax, which will have a significant impact on our District. Increased revenue from the SILO tax will begin in September 2004.
- The National School Fitness Foundation (NSFF) contracted with the District to reimburse the full cost of fitness equipment purchased. In April 2004, the NSFF filed bankruptcy and has not made payments to the District. The PPEL (Physical Plant and Equipment Levy) paid \$12,315 to cover the cost of the April, May and June payments. The prospect of recovering funds from NSFF is unlikely.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$16,561 in fiscal 2003 to \$10,613 in fiscal 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Grundy Center Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Grundy Center Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Grundy Center Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Grundy Center Community School District Annual Financial Report

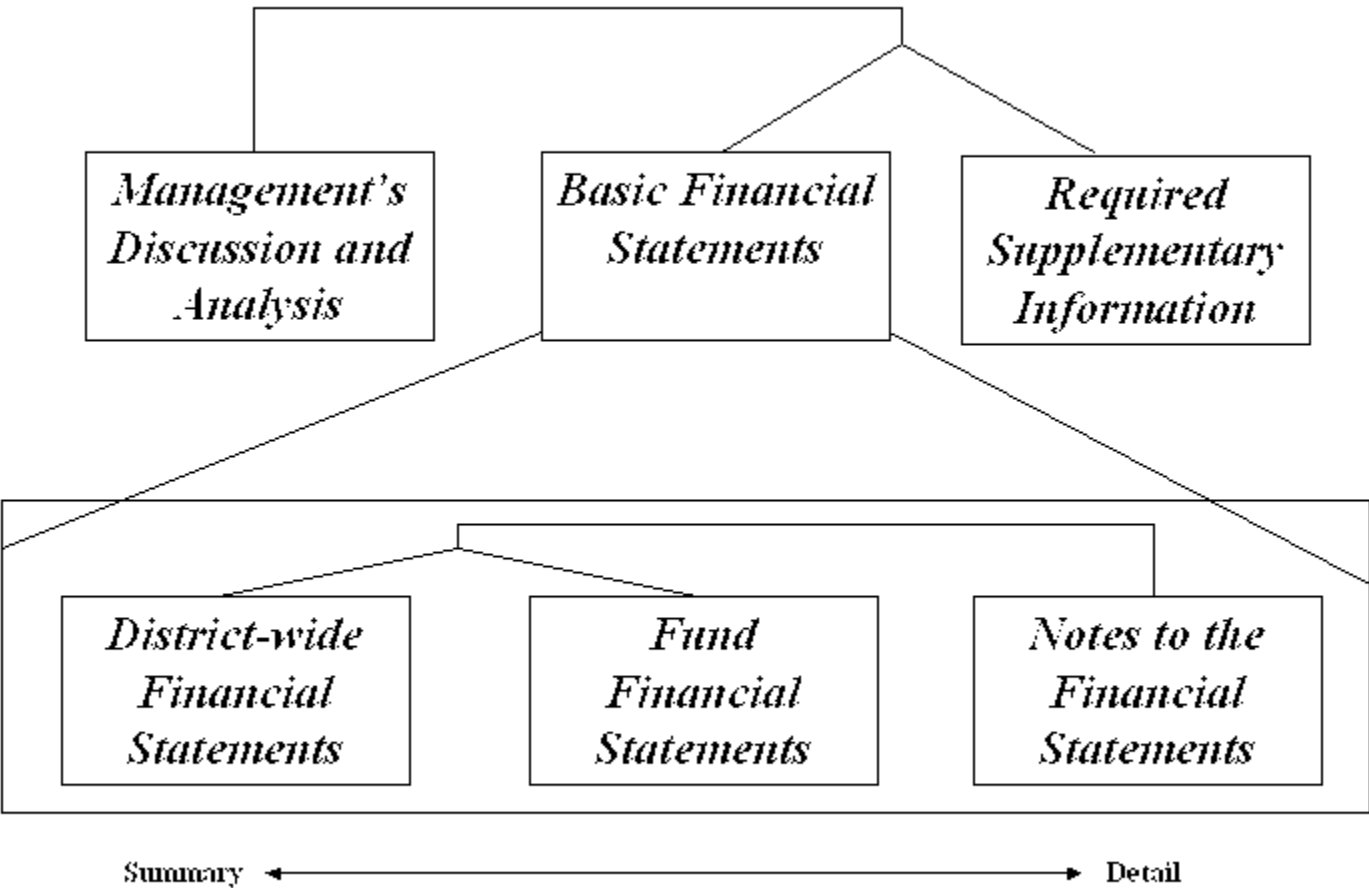


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$3,693,209	\$3,474,199	\$33,797	\$7,357	\$3,727,006	\$3,481,556	\$245,450
Capital assets	3,558,553	3,540,175	47,557	56,674	3,606,110	3,596,849	9,261
Total assets	\$7,251,762	\$7,014,374	\$81,354	\$64,031	\$7,333,116	\$7,078,405	\$254,711
Long-term liabilities	\$2,548,074	\$2,983,628	\$-	\$-	\$2,548,074	\$2,983,628	-\$435,554
Other liabilities	2,597,175	2,582,198	3,832	11,228	2,601,007	2,593,426	7,581
Total liabilities	\$5,145,249	\$5,565,826	\$3,832	\$11,228	\$5,149,081	\$5,577,054	-\$427,973
Net assets:							
Invested in capital assets, net of related debt	\$1,093,852	\$712,280	\$47,557	\$56,674	\$1,141,409	\$768,954	\$372,455
Restricted	-48,614	-41,257	-	-	-48,614	-41,257	-7,357
Unrestricted	1,061,275	777,525	29,965	-3,871	1,091,240	773,654	317,586
Total net assets	\$2,106,513	\$1,448,548	\$77,522	\$52,803	\$2,184,035	\$1,501,351	\$682,684

The District's combined net assets increased by nearly 31%, or approximately \$683,000, over the prior year. The largest portion of the District's net assets is the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$7,000, or 15% over the prior year. The decrease was primarily a result of increased expenditures in the Management Levy Fund and an overall decrease in revenues in these funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$317,000, or 29%. This increase in unrestricted net assets was a result of increased revenues in the General Fund.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$935,949	\$191,222	\$1,127,171
Operating grants, contributions and restricted interest	517,012	86,888	603,900
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	2,540,526	-	2,540,526
Local option sales and service tax	-	-	-
Unrestricted state grants	1,964,942	-	1,964,942
Unrestricted investment earnings	10,803	91	10,894
Other	100,700	-	100,700
Total revenues	\$6,069,932	\$278,201	\$6,348,133
Program expenses:			
Governmental activities:			
Instruction	\$3,491,863	\$-	\$3,491,863
Support services	1,594,462	-	1,594,462
Non-instructional programs	7,000	253,482	260,482
Other expenses	318,642	-	318,642
Total expenses	\$5,411,967	\$253,482	\$5,665,449
Change in net assets	\$657,965	\$24,719	\$682,684

Property tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 94% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,069,932 and expenses were \$5,411,967. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
**Total and Net Cost of
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$3,491,863	\$2,350,719
Support Services	1,594,462	1,496,039
Non-instructional programs	7,000	7,000
Other expenses	318,642	105,248
Totals	\$5,411,967	\$3,959,006

- The cost financed by users of the District's programs was \$1,127,121.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$603,900.
- The net cost of governmental activities was financed with \$2,540,425 in property and other taxes and \$1,964,942 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$278,201 and expenses were \$253,482. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Grundy Center Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,146,530, well above last year's ending fund balances of \$959,378. The primary reason for the increase in combined fund balances in fiscal 2004 is due to reduced expenditures in fiscal 2004.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The increase in revenues, combined with the District's decrease in General Fund expenditures gives the District a carryover fund balance to meet its financial obligations in the future.
- The General Fund balance increased from \$777,525 to \$1,080,598, due in part to the increased revenue and reduction in expenditures.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$24,122 in fiscal 2003 to a deficit of -\$30,408 in fiscal 2004. Revenues declined and the District spent more than they received.
- The Capital Projects Fund balance decreased due to the purchase of equipment during fiscal 2004. The District ended fiscal 2004 with a deficit of \$22,705. During fiscal 2005, the District will receive local option sales tax dollars and \$900,000 of Local Option Sales Tax Anticipation Bonds.
- The Management Levy Fund ended fiscal 2004 with a deficit of \$341. This is a reduction of \$42,432 from fiscal 2003. The decrease is due to increased expenditures during the year.

Proprietary Fund Highlights

- School Nutrition Fund net assets increased from \$52,803 at June 30, 2003 to \$77,522 at June 30, 2004, representing a increase of approximately 32%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Grundy Center Community School District amended its annual budget one time to reflect additional expenditures associated with lease payments.

The District's receipts were \$87,211 more than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving more in federal funds than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$3.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of .5% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$256,376.

The original cost of the District's capital assets was \$8.39 million. Governmental funds account for \$8.34 million, with the remainder of \$.05 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in the capital asset activity during the year occurred in the furniture and equipment category. The District's furniture and equipment totaled \$2,175,438 at June 30, 2004, compared to \$2,080,680 reported at June 30, 2003. This increase resulted from the purchase of a new bus and two copiers.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$21,252	\$21,252	\$-	\$-	\$21,252	\$21,252	\$-
Construction in progress	90,048	-	-	-	90,048	-	90,048
Buildings	2,904,724	3,003,828	-	-	2,904,724	3,003,828	-99,104
Improvements other than buildings	189,626	193,481	-	-	189,626	193,481	-3,855
Furniture and equipment	352,903	321,614	47,557	56,674	400,460	378,288	22,172
Totals	\$3,558,553	\$3,540,175	\$47,557	\$56,674	\$3,606,110	\$3,596,849	\$9,261

Long-Term Debt

At June 30, 2004, the District had \$2,548,074 in general obligation, notes payable and other long-term debt outstanding. This represents a decrease of approximately 15% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
General obligation bonds	\$2,120,000	\$2,335,000	-\$215,000
Capital leases	8,319	86,275	-77,956
Notes payable	336,382	406,620	-70,238
Early retirement	83,373	155,733	-72,360
Totals	\$2,548,074	\$2,983,628	-\$435,554

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has evaluated the condition of its facilities and determined that they need to be remodeled and updated during fiscal 2005 at a cost of \$900,000. To pay for these changes, the District will use \$900,000 of Local Option Sales Tax Anticipation Bonds.
- Fiscal 2004 was the last year of a three-year contract with the Grundy Center Education Teacher Association. The District negotiated a new agreement during fiscal 2004 that is effective July 1, 2004. The settlement includes a 3.9% total package increase for the classified staff and a 3% total package raise for the administration and tech coordinator.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Boege, District Secretary/Treasurer and Business Manager, Grundy Center Community School District, 1301-12th Street, Grundy Center IA 50638.

Basic Financial Statements

Grundy Center Community School District

Statement of Net Assets

June 30, 2004

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 999,237	\$ 27,651	\$ 1,026,888
Receivables:			
Property tax:			
Delinquent	32,392	-	32,392
Succeeding year	2,390,504	-	2,390,504
Accounts	34,683	607	35,290
Accrued interest	3,820	-	3,820
Due from other governments	232,573	-	232,573
Inventories	-	5,539	5,539
Capital assets, net of accumulated depreciation	3,558,553	47,557	3,606,110
Total Assets	\$ 7,251,762	\$ 81,354	\$ 7,333,116
Liabilities			
Excess of warrants over bank balance	\$ 1,889	\$ -	\$ 1,889
Accounts payable	141,505	985	142,490
Salaries and benefits payable	12,781	97	12,878
Accrued interest payable	50,496	-	50,496
Deferred revenue-succeeding year property tax	2,390,504	-	2,390,504
Deferred revenue-other	-	2,750	2,750
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	220,000	-	220,000
Capital lease	8,319	-	8,319
Notes payable	72,057	-	72,057
Early retirement	17,251	-	17,251
Portion due after one year:			
General obligation bonds payable	1,900,000	-	1,900,000
Notes payable	264,325	-	264,325
Early retirement	66,122	-	66,122
Total Liabilities	\$ 5,145,249	\$ 3,832	\$ 5,149,081
Net Assets			
Invested in capital assets, net of related debt	\$ 1,093,852	\$ 47,557	\$ 1,141,409
Restricted for:			
Management levy	-83,714	-	-83,714
Physical plant and equipment levy	-30,408	-	-30,408
Other special revenue purposes	65,508	-	65,508
Unrestricted	1,061,275	29,965	1,091,240
Total Net Assets	\$ 2,106,513	\$ 77,522	\$ 2,184,035

See notes to financial statements.

Grundy Center Community School District

Statement of Activities

Year Ended June 30, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,131,070	\$ 428,231	\$ 209,240	\$ -
Special instruction	681,390	113,493	85,216	-
Other instruction	679,403	300,136	4,828	-
	<u>\$ 3,491,863</u>	<u>\$ 841,860</u>	<u>\$ 299,284</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 226,532	\$ -	\$ -	\$ -
Instructional staff services	106,114	-	-	-
Administration services	564,702	193	-	-
Operation and maintenance of plant services	470,895	-	-	-
Transportation services	226,219	93,896	4,334	-
	<u>\$ 1,594,462</u>	<u>\$ 94,089</u>	<u>\$ 4,334</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ 7,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ -	\$ -	\$ 33,540	\$ -
Long-term debt interest	116,957	-	-	-
AEA flow-through	179,854	-	179,854	-
Depreciation (unallocated) *	21,831	-	-	-
	<u>\$ 318,642</u>	<u>\$ -</u>	<u>\$ 213,394</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 5,411,967</u>	<u>\$ 935,949</u>	<u>\$ 517,012</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 253,482	\$ 191,222	\$ 86,888	\$ -
Total	<u>\$ 5,665,449</u>	<u>\$ 1,127,171</u>	<u>\$ 603,900</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total	
\$	-1,493,599	\$	-	\$	-1,493,599
	-482,681		-		-482,681
	-374,439		-		-374,439
\$	-2,350,719	\$	-	\$	-2,350,719
\$	-226,532	\$	-	\$	-226,532
	-106,114		-		-106,114
	-564,509		-		-564,509
	-470,895		-		-470,895
	-127,989		-		-127,989
\$	-1,496,039	\$	-	\$	-1,496,039
\$	-7,000	\$	-	\$	-7,000
\$	33,540	\$	-	\$	33,540
	-116,957		-		-116,957
	-		-		-
	-21,831		-		-21,831
\$	-105,248	\$	-	\$	-105,248
\$	-3,959,006	\$	-	\$	-3,956,006
\$	-	\$	24,628	\$	24,628
\$	-3,959,006	\$	24,628	\$	-3,934,378

Grundy Center Community School District

Statement of Activities

Year Ended June 30, 2004

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
General Revenues:			
Property Tax Levied For:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total General Revenues			
Change in net assets			
Net assets beginning of year, as restated			
Net Assets End of Year			

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	1,960,872	\$	-	\$ 1,960,872
	324,270		-	324,270
	255,384		-	255,384
	-		-	-
	1,964,942		-	1,964,942
	10,803		91	10,894
	100,700		-	100,700
\$	4,616,971	\$	91	\$ 4,617,062
\$	657,965	\$	24,719	\$ 682,684
	1,448,548		52,803	1,501,351
\$	2,106,513	\$	77,522	\$ 2,184,035

Grundy Center Community School District

**Balance Sheet
Governmental Funds**

June 30, 2004

	General	Physical Plant and Equipment Levy	Non-Major Special Revenue	Total
Assets				
Cash and pooled investments	\$ 825,317	\$ 53,998	\$ 119,922	\$ 999,237
Receivables:				
Property Tax:				
Delinquent	22,814	3,538	6,040	32,392
Succeeding year	1,685,100	243,079	462,325	2,390,504
Accounts	31,040	-	3,643	34,683
Accrued interest	3,820	-	-	3,820
Due from other governments	232,573	-	-	232,573
Total Assets	\$ 2,800,664	\$ 300,615	\$ 591,930	\$ 3,693,209
Liabilities and Fund Balances				
Liabilities:				
Excess of warrants over bank balance	\$ -	\$ -	\$ 1,889	\$ 1,889
Accounts payable	22,185	87,944	31,376	141,505
Salaries and benefits payable	12,781	-	-	12,781
Deferred Revenue:				
Succeeding year property tax	1,685,100	243,079	462,325	2,390,504
Total Liabilities	\$ 1,720,066	\$ 331,023	\$ 495,590	\$ 2,546,679
Fund Balances:				
Reserved for debt service	\$ -	\$ -	\$ -341	\$ -341
Unreserved	1,080,598	-30,408	96,681	1,146,871
Total fund balances	\$ 1,080,598	\$ -30,408	\$ 96,340	\$ 1,146,530
Total Liabilities and Fund Balances	\$ 2,800,664	\$ 300,615	\$ 591,930	\$ 3,693,209

See notes to financial statements.

Grundy Center Community School District

**Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets**

June 30, 2004

Total fund balances of governmental funds (page 16)	\$ 1,146,530
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	3,558,553
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	-
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-50,496
Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-2,548,074</u>
Net assets of governmental activities (page 13)	<u>\$ 2,106,513</u>

Grundy Center Community School District

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

Year Ended June 30, 2004

	General	Physical Plant and Equipment Levy	Non-Major Special Revenue	Total
Revenues:				
Local Sources:				
Local tax	\$ 1,851,286	\$ 255,384	\$ 433,856	\$ 2,540,526
Tuition	462,348	-	-	462,348
Other	319,328	33,605	286,011	638,944
Intermediate sources	-	-	-	-
State sources	2,323,142	205	350	2,323,697
Federal sources	104,417	-	-	104,417
Total Revenues	\$ 5,060,521	\$ 289,194	\$ 720,217	\$ 6,069,932
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,021,519	\$ 4,254	\$ 85,035	\$ 2,110,808
Special instruction	674,859	-	-	674,859
Other instruction	398,062	-	278,691	676,753
	\$ 3,094,440	\$ 4,254	\$ 363,726	\$ 3,462,420
Support Services:				
Student services	\$ 226,532	\$ -	\$ -	\$ 226,532
Instructional staff services	104,114	-	2,000	106,114
Administration services	546,970	27,004	9,235	583,209
Operation and maintenance of plant services	429,093	86,259	39,675	555,027
Transportation services	176,445	56,195	10,247	242,887
	\$ 1,483,154	\$ 169,458	\$ 61,157	\$ 1,713,769
Non-instructional programs	\$ -	\$ -	\$ 7,000	\$ 7,000
Other Expenditures:				
Facilities acquisition	\$ -	\$ -	\$ 22,705	\$ 22,705
Long-Term Debt:				
Principal	-	-	363,194	363,194
Interest and fiscal charges	-	-	133,838	133,838
AEA flow-through	179,854	-	-	179,854
	\$ 179,854	\$ -	\$ 519,737	\$ 699,591
Total Expenditures	\$ 4,757,448	\$ 173,712	\$ 951,620	\$ 5,882,780
Excess (deficiency) of revenues over (under) expenditures	\$ 303,073	\$ 115,482	\$ -231,403	\$ 187,152
Other Financing Sources (Uses):				
Operating transfers in	\$ -	\$ -	\$ 170,012	\$ 170,012
Operating transfers out	-	-170,012	-	-170,012
Total Other Financing Sources (Uses)	\$ -	\$ -170,012	\$ 170,012	\$ -
Net change in fund balances	\$ 303,073	\$ -54,530	\$ -61,391	\$ 187,152
Fund balances beginning of year, as restated (Note 10)	777,525	24,122	157,731	959,378
Fund Balances End of Year	\$ 1,080,598	\$ -30,408	\$ 96,340	\$ 1,146,530

See notes to financial statements.

Grundy Center Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2004

Net change in fund balances – total governmental funds (page 18) \$ 187,152

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 274,754	
Depreciation expense	<u>-256,376</u>	18,378

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.

-

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	\$ -	
Repaid	<u>363,194</u>	363,194

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

16,881

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		<u>72,360</u>
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Change in Net Assets of Governmental Activities (page 15)		<u><u>\$ 657,965</u></u>
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Grundy Center Community School District

Statement of Net Assets
Proprietary Fund

June 30, 2004

	School Nutrition
Assets	
Cash and cash equivalents	\$ 27,651
Accounts receivable	607
Inventories	5,539
Capital assets, net of accumulated depreciation	47,557
Total Assets	\$ 81,354
Liabilities	
Accounts payable	\$ 985
Salaries and benefits payable	97
Deferred revenue	2,750
Total Liabilities	\$ 3,832
Net Assets	
Invested in capital assets, net of related debt	\$ 47,557
Unrestricted	29,965
Total Net Assets	\$ 77,522

See notes to financial statements.

Grundy Center Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 191,222
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 69,516
Benefits	24,348
Purchased services	4,873
Supplies	144,160
Depreciation	10,585
Total operating expenses	<u>\$ 253,482</u>
Operating loss	<u>\$ -62,260</u>
Non-operating revenues:	
State sources	\$ 3,655
Federal sources	83,233
Interest income	91
Total non-operating revenues	<u>\$ 86,979</u>
Change in net assets	\$ 24,719
Net assets beginning of year	<u>52,803</u>
Net Assets End of Year	<u><u>\$ 77,522</u></u>

See notes to financial statements.

Grundy Center Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 193,797
Cash paid to employees for services	-69,454
Cash paid to suppliers for goods or services	-163,592
Net cash used by operating activities	<u>\$ -39,249</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,655
Federal grants received	64,622
Net cash provided by non-capital financing activities	<u>\$ 68,277</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -1,468</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 91</u>
Net increase in cash and cash equivalents	\$ 27,651
Cash and cash equivalents beginning of year	<u>-</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 27,651</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -62,260
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	15,704
Depreciation	10,585
Decrease in inventories	1,803
Decrease in accounts receivable	2,315
(Decrease) in accounts payable	-7,753
Increase in salaries and benefits payable	97
Increase in deferred revenue	<u>260</u>
Net Cash Used by Operating Activities	<u><u>\$ -39,249</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$18,611 of federal commodities.

See notes to financial statements.

Grundy Center Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 547	\$ 4,237
Liabilities		
Accounts payable	\$ -	\$ 4,237
Net Assets		
Reserved for scholarships	\$ 547	\$ -

Grundy Center Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2004

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ -
Deductions:	
Support services:	
Scholarships awarded	\$ -
Change in net assets	\$ -
Net assets beginning of year	<u>547</u>
Net Assets End of Year	<u><u>\$ 547</u></u>

Grundy Center Community School District

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Grundy Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Grundy Center, Iowa and portions of the predominately agricultural territories in Grundy and Tama Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Grundy Center Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Grundy Center Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy is used to account for resources used for allowable physical plant and equipment expenditures.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Funds are used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Funds are used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Funds are custodial in nature, assets equal liabilities, and they do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Physical Plant and Equipment Levy	\$ 170,012

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning Of Year, as Restated (Note 10)	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 21,252	\$ -	\$ -	\$ 21,252
Construction in progress	-	90,048	-	90,048
Total capital assets not being depreciated	\$ 21,252	\$ 90,048	\$ -	\$ 111,300
Capital assets being depreciated:				
Buildings	\$ 5,611,200	\$ 1,625	\$ -	\$ 5,612,825
Improvements other than buildings	429,959	18,323	-	448,282
Furniture and equipment	2,080,680	164,758	70,000	2,175,438
Total capital assets being depreciated	\$ 8,121,839	\$ 184,706	\$ 70,000	\$ 8,236,545
Less accumulated depreciation for:				
Buildings	\$ 2,607,372	\$ 100,729	\$ -	\$ 2,708,101
Improvements other than buildings	236,478	22,178	-	258,656
Furniture and equipment	1,759,066	133,469	70,000	1,822,535
Total accumulated depreciation	\$ 4,602,916	\$ 256,376	\$ 70,000	\$ 4,789,292
Total capital assets being depreciated, net	\$ 3,518,923	\$ -71,670	\$ -	\$ 3,447,253
Governmental Activities Capital Assets, Net	\$ 3,540,175	\$ 18,378	\$ -	\$ 3,558,553

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 200,067	\$ 1,468	\$ 89,663	\$ 111,872
Less accumulated depreciation	143,393	10,585	89,663	64,315
Business Type Activities Capital Assets, Net	\$ 56,674	\$ -9,117	\$ -	\$ 47,557

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 175,213
Special	6,531
Other	2,650

Support services:

Instructional staff	-
Administration	8,497
Operation and maintenance of plant	2,127
Transportation	39,527

\$ 234,545

Unallocated

21,831

Total Depreciation Expense – Governmental Activities

\$ 256,376

Business Type Activities:

Food service operations	\$ 10,585
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(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 2,335,000	\$ -	\$ 215,000	\$ 2,120,000	\$ 220,000
Capital leases	86,275	-	77,956	8,319	8,319
Notes payable	406,620	-	70,238	336,382	72,057
Early retirement	155,733	-	72,360	83,373	17,251
Total	\$ 2,983,628	\$ -	\$ 435,554	\$ 2,548,074	\$ 317,627

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of continuous service to the District. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives are equal to a cash payment equal to the employee's current salary minus the current base. Early retirement expenditures for the year ended June 30, 2004 totaled \$72,360.

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ended June 30,	Refunding Bond Issue March 1, 1995			
	Interest Rates	Principal	Interest	Total
2005	4.55-4.65%	\$ 220,000	\$ 102,175	\$ 322,175
2006	4.65-4.70%	235,000	91,884	326,884
2007	4.70-4.80%	245,000	80,750	325,750
2008	4.80-4.90%	255,000	68,930	323,930
2009	4.90-5.00%	270,000	56,253	326,253
2010	5.00-5.15%	280,000	42,696	322,696
2011	5.15-5.20%	300,000	28,123	328,123
2012	5.20-5.25%	315,000	12,430	327,430
Total		\$ 2,120,000	\$ 483,241	\$ 2,603,241

During the year ended June 30, 2004, the District made principal and interest payments totaling \$327,019 under the agreement.

Prior Year Debt Defeasance

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investment and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes the debt has been considered defeased and therefore removed as a liability from the District's Long-Term Debt. As of June 30, 2004, the amount of defeased debt outstanding but removed from the Long-Term Debt amounted to \$2,095,000.

Capital Leases

The District has leased fitness equipment, technology equipment, and a phone system which are being accounted for as capital leases. The following is a schedule of future lease payments under the capital leases, as of June 30, 2004.

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Fitness equipment	\$ 56,428	\$ -	\$ 48,109	\$ 8,319	\$ 8,319
Technology equipment	14,204	-	14,204	-	-
Phone system	15,643	-	15,643	-	-
Total	\$ 86,275	\$ -	\$ 77,956	\$ 8,319	\$ 8,319

During the year ended June 30, 2004, the District made principal and interest payments totaling \$82,012 under the agreements.

Capital Loan Notes

The District issued \$482,146 of capital loan notes during the year ended June 30, 2003 to finance a heating and air conditioning project at the high school. The payments are due are follows:

Year Ended June 30,	Interest Rates	Principal	Interest	Total
2005	4.735%	\$ 72,057	\$ 15,943	\$ 88,000
2006	4.65%	75,705	12,295	88,000
2007	4.48%	79,537	8,463	88,000
2008	4.05%	83,564	4,436	88,000
2009	4.00%	25,519	645	26,164
Total		<u>\$ 336,382</u>	<u>\$ 41,782</u>	<u>\$ 378,164</u>

During the year ended June 30, 2004, the District made principal and interest payments totaling \$88,000 under the agreements.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$159,526, \$156,289 and \$158,803, respectively, equal to the required contributions for each year.

(7) Risk Management

Grundy Center Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$179,854 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Commitments

The District ordered a 65 passenger school bus on November 3, 2003 for \$54,914. The bus was delivered in June 2004 and will be paid for in July 2004.

The District ordered two copiers on November 3, 2003 for \$27,004. The copiers were delivered in June 2004 and will be paid for in July 2004.

The District has entered into the following construction contracts:

New gym floor	\$	103,934
East end remodeling		90,048
HVAC units		310,400
	\$	<u>504,382</u>

These contracts are to be funded by \$900,000 of Local Option Sales Tax Anticipation Bonds. As of June 30, 2004, no costs had been incurred against the contracts.

The District has entered into the following capital leases:

Computer lease \$38,700

Two lease payments of \$19,976 each are due August 15, 2004 and 2005. The interest rate is 6.692%.

Laptop lease \$95,945

Three lease payments of \$34,067 each are due August 15, 2004, 2005 and 2006. The interest rate is 6.670%.

As of June 30, 2004, no costs have been incurred against the leases.

The Grundy Center Community School District has entered into a 28E Agreement with the City of Grundy Center to establish a joint board for the operation and maintenance of a sports complex upon property owned by the City. The District agrees to make lease payments to the City per the 28E Agreement of \$10,000 each year. As of June 30, 2004, the District had incurred \$10,000 against the lease.

(10) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements separate the District’s programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund			
	General	Physical Plant and Equipment Levy	Non-major Special Revenue	Total
Net assets June 30, 2003, as previously reported	\$ 777,525	\$ 24,122	\$ 157,731	\$ 959,378
GASB Interpretation 6 adjustments	-	-	-	-
Net Assets July 1, 2003, as Restated for Governmental Funds	\$ 777,525	\$ 24,122	\$ 157,731	\$ 959,378
GASB 34 Adjustments:				
Capital assets, net of accumulated depreciation of \$4,602,916				3,540,175
Long-Term Liabilities:				
Bonds and notes			\$ 2,827,895	
Early retirement			155,733	-2,983,628
Accrued interest payable				-67,377
Net Assets July 1, 2003, as Restated				\$ 1,448,548

(11) Subsequent Events

On August 4, 2004, the District approved the sale of \$900,000 of Local Option Sales Tax Anticipation Bonds. The interest rate is 4.38%. The proceeds will be used for a variety of remodeling projects.

(12) Deficit Fund Balance

As of June 30, 2004, the Management Levy, Physical Plant and Equipment Levy, Debt Service and Capital Projects Funds had deficit net assets. The balances are as follows:

Management Levy Fund	\$ -83,714
Physical Plant and Equipment Levy Fund	-30,408
Debt Service Fund	-39,458
Capital Projects Fund	-22,705
	<u>\$ -176,285</u>

As of June 30, 2004, the Management Levy, Physical Plant and Equipment Levy and Capital Projects Funds had deficit fund balances. The balances are as follows:

Management Levy Fund	\$ -341
Physical Plant and Equipment Levy Fund	-30,408
Capital Projects Fund	-22,705
	<u>\$ -53,454</u>

Required Supplementary Information

Grundy Center Community School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2004

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 3,641,818	\$ 191,313
Intermediate sources	-	-
State sources	2,323,697	3,655
Federal sources	104,417	83,233
Total Receipts	<u>\$ 6,069,932</u>	<u>\$ 278,201</u>
Disbursements:		
Instruction	\$ 3,462,420	\$ -
Support services	1,713,769	-
Non-instructional programs	7,000	253,482
Other expenditures	699,591	-
Total Disbursements	<u>\$ 5,882,780</u>	<u>\$ 253,482</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 187,152	\$ 24,719
Other financing sources, net	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 187,152	\$ 24,719
Balances beginning of year	<u>959,378</u>	<u>52,803</u>
Balances End of Year	<u><u>\$ 1,146,530</u></u>	<u><u>\$ 77,522</u></u>

See accompanying independent auditor's report.

	Total		Budgeted	Amounts		Final To
	Actual		Original	Final		Actual
						Variance
\$	3,833,131	\$	3,481,706	\$ 3,481,706	\$	351,425
	-		60,000	60,000		-60,000
	2,327,352		2,608,216	2,608,216		-280,864
	187,650		111,000	111,000		76,650
\$	6,348,133	\$	6,260,922	\$ 6,260,922	\$	87,211
\$	3,462,420	\$	3,514,881	\$ 3,514,881	\$	52,461
	1,713,769		2,057,879	2,057,879		344,110
	260,482		300,000	300,000		39,518
	699,591		543,251	723,251		23,660
\$	6,136,262	\$	6,416,011	\$ 6,596,011	\$	459,749
\$	211,871	\$	-155,089	\$ -335,089	\$	546,960
	-		-	-		-
\$	211,871	\$	-155,089	\$ -335,089	\$	546,960
	1,012,181		1,174,895	1,174,895		-162,714
\$	1,224,052	\$	1,019,806	\$ 839,806	\$	384,246

Grundy Center Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$180,000.

Other Supplementary Information

Grundy Center Community School District

**Combining Balance Sheet
Non-Major Special Revenue Funds**

June 30, 2004

	Debt Service	Management Levy	Student Activity	Capital Projects	Total
Assets					
Cash and pooled investments	\$ 6,546	\$ -	\$ 113,376	\$ -	\$ 119,922
Receivables:					
Property Tax:					
Delinquent	4,492	1,548	-	-	6,040
Succeeding year	322,325	140,000	-	-	462,325
Accounts	-	-	3,643	-	3,643
Total Assets	\$ 333,363	\$ 141,548	\$ 117,019	\$ -	\$ 591,930
Liabilities & Fund Equity					
Liabilities:					
Excess of warrants over bank balance	\$ -	\$ 1,889	\$ -	\$ -	\$ 1,889
Accounts payable	-	-	8,671	22,705	31,376
Deferred Revenue:					
Succeeding year property tax	322,325	140,000	-	-	462,325
Total Liabilities	\$ 322,325	\$ 141,889	\$ 8,671	\$ 22,705	\$ 495,590
Fund Equity:					
Unreserved fund balances	\$ 11,038	\$ -341	\$ 108,348	\$ -22,705	\$ 96,340
Total Liabilities & Fund Equity	\$ 333,363	\$ 141,548	\$ 117,019	\$ -	\$ 591,930

See accompanying independent auditor's report.

Grundy Center Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds**

Year Ended June 30, 2004

	Debt Service	Management Levy	Student Activity	Capital Projects	Total
Revenues:					
Local Sources:					
Local tax	\$ 324,270	\$ 109,586	\$ -	\$ -	\$ 433,856
Other	93	702	285,216	-	286,011
State sources	260	90	-	-	350
Total Revenues	<u>\$ 324,623</u>	<u>\$ 110,378</u>	<u>\$ 285,216</u>	<u>\$ -</u>	<u>\$ 720,217</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ -	\$ 85,035	\$ -	\$ -	\$ 85,035
Other instruction	-	-	278,691	-	278,691
Support Services:					
Instructional staff services	-	2,000	-	-	2,000
Administration services	382	8,853	-	-	9,235
Operation and maintenance of plant services	-	39,675	-	-	39,675
Transportation services	-	10,247	-	-	10,247
Non-instructional programs	-	7,000	-	-	7,000
Other Expenditures:					
Facilities acquisition	-	-	-	22,705	22,705
Long-term debt:					
Principal	363,194	-	-	-	363,194
Interest	133,838	-	-	-	133,838
Total Expenditures	<u>\$ 497,414</u>	<u>\$ 152,810</u>	<u>\$ 278,691</u>	<u>\$ 22,705</u>	<u>\$ 951,620</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -172,791</u>	<u>\$ -42,432</u>	<u>\$ 6,525</u>	<u>\$ -22,705</u>	<u>\$ -231,403</u>
Other Financing Sources (Uses):					
Operating transfers in	\$ 170,012	\$ -	\$ -	\$ -	\$ 170,012
Operating transfer out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 170,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,012</u>
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	<u>\$ -2,779</u>	<u>\$ -42,432</u>	<u>\$ 6,525</u>	<u>\$ -22,705</u>	<u>\$ -61,391</u>
Fund balances beginning of year, as restated	<u>13,817</u>	<u>42,091</u>	<u>101,823</u>	<u>-</u>	<u>157,731</u>
Fund Balances End of Year	<u>\$ 11,038</u>	<u>\$ -341</u>	<u>\$ 108,348</u>	<u>\$ -22,705</u>	<u>\$ 96,340</u>

See accompanying independent auditor's report.

Grundy Center Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Change	\$ 214	\$ -	\$ -	\$ -	\$ 214
Interest on investments	5,041	878	1,760	-	4,159
Student activity ticket sales	8	-2	-	-	6
Class of 1997-2002	3,886	-	315	-	3,571
Class of 2003	2,189	-	2,189	-	-
Class of 2004	2,557	888	1,478	-	1,967
Class of 2005	2,455	10,718	8,128	-	5,045
Class of 2006	614	241	101	-	754
Class of 2007	118	870	269	-	719
Cross country	-928	2,179	2,213	-	-962
Dance team	2,314	10,526	11,726	-	1,114
Vocal music	5,458	-	1,208	-	4,250
Foreign student club	14	-	-	-	14
Spirit force (Pep club)	-401	-	-	-	-401
Drama/speech	5,601	2,086	6,060	15	1,642
Sharks	266	-	-	-	266
Elementary vocal music	1,064	37	-	-	1,101
Annual	13,198	9,407	10,714	-	11,891
Band	-2,284	2,158	1,743	-	-1,869
TSA	325	1,448	1,537	-	236
Mexico trip	1	-	-	-	1
Middle School student senate	9,903	18,107	14,313	-	13,697
National Honor Society	-188	-	61	-	-249
Athletic Boosters Concessions	4,878	24,487	19,294	-	10,071
High School student senate	4,891	18,989	21,655	-	2,225
Art club	1,197	1,730	2,142	-	785
Spanish club	4	-	-	-	4
TAG club	176	2,593	758	-	2,011
Middle School fund	315	1,045	270	-	1,090
Elementary student senate	10,094	36,021	26,245	-	19,870
FFA	1,564	20,255	20,166	-	1,653
Fellowship of Christian Athletes	372	-	-	-	372
G club	-1,175	241	1,533	-	-2,467
Girls softball	-3,963	3,781	3,380	-	-3,562
Boys basketball	20,288	8,217	7,197	-	21,308
Football	1,848	20,854	14,794	-	7,908
Boys baseball	-2,246	11,619	14,385	-	-5,012
Boys track	-5,704	2,701	3,263	-	-6,266
Boys tennis	-385	806	307	-	114
Boys golf	-393	1,128	974	-	-239
Athletics-general	-	3	5,363	-	-5,360
GC Jazz	-	2,943	4,172	-	-1,229

Grundy Center Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Concessions	\$ 1,180	\$ -	\$ 5	\$ -	\$ 1,175
Wrestling	1,692	2,150	2,071	-	1,771
Girls basketball	9,913	28,125	30,047	-	7,991
Girls volleyball	12,533	18,689	17,466	-	13,756
Girls track	-2,752	5,059	8,426	-	-6,119
Girls tennis	-681	1,052	821	-	-450
Girls golf	-3,023	510	221	-	-2,734
Video club	15	-	-	-15	-
Cheerleaders	-582	7,516	6,807	-	127
Camps	2,342	2,415	1,346	-	3,411
AC DEC	-2,000	2,746	1,768	-	-1,022
Totals	\$ 101,823	\$ 285,216	\$ 278,691	\$ -	\$ 108,348

Grundy Center Community School District

**Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Funds**

Year ended June 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 5,049	\$ 1,078	\$ 1,890	\$ 4,237
Total Assets	<u>\$ 5,049</u>	<u>\$ 1,078</u>	<u>\$ 1,890</u>	<u>\$ 4,237</u>
Liabilities				
Accounts payable	\$ 5,049	\$ 4,237	\$ 5,049	\$ 4,237
Total Liabilities	<u>\$ 5,049</u>	<u>\$ 4,237</u>	<u>\$ 5,049</u>	<u>\$ 4,237</u>

See accompanying independent auditor's report.

Grundy Center Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Two Years

	Modified Accrual Basis	
	<u>2004</u>	<u>2003</u>
Revenues:		
Local Sources:		
Local tax	\$ 2,540,526	\$ 2,339,926
Tuition	462,348	439,877
Other	638,944	588,048
Intermediate sources	-	-
State sources	2,323,697	2,394,099
Federal sources	104,417	79,237
Total	<u>\$ 6,069,932</u>	<u>\$ 5,841,187</u>
Expenditures:		
Instruction:		
Regular instruction	\$ 2,110,808	\$ 2,269,308
Special instruction	674,859	579,849
Other instruction	676,753	491,869
Support services:		
Student services	226,532	187,793
Instructional staff services	106,114	102,539
Administration services	583,209	604,913
Operation and maintenance of plant services	555,027	457,954
Transportation services	242,887	188,982
Central support services	-	103,861
Non-instructional programs	7,000	56
Other expenditures:		
Facilities acquisition	22,705	425,804
Long-term debt:		
Principal	363,194	356,260
Interest and other charges	133,838	142,905
AEA flow-through	179,854	192,024
Total	<u>\$ 5,882,780</u>	<u>\$ 6,104,117</u>

**Independent Auditor's Report on Compliance
And on Internal Control over Financial Reporting**

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of
Grundy Center Community School District:

I have audited the financial statements of Grundy Center Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated August 11, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Grundy Center Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for item II-K-04 and II-L-04.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Grundy Center Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Grundy Center Community School District and other parties to whom Grundy Center Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Grundy Center Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Keith Oltrogge", is centered within a light blue rectangular box. The signature is fluid and cursive.

Keith Oltrogge
Certified Public Accountant

August 11, 2004

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2004

Part I – Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2004

Part II - Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - Official Depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004 did not exceed the amended certified budget .

II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-G-04 Board Minutes – Certain minutes were not published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – Procedures have been revised to ensure the minutes are published as required.

Conclusion – Response accepted.

II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.

II-K-04 Deficit Balances – Fifteen student activity accounts had deficit balances at June 30, 2004.

Recommendation – The District should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is investigating alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

II-L-04 Student Activity Fund – The Student Activity Fund includes accounts which should have been reclassified by a residual equity transfer in prior years in order for the fund to conform to U.S. generally accepted accounting principles in accordance with Chapter 257.31(4) of the Code of Iowa. These accounts include the Petty Cash Account and Resale Accounts.

Recommendation – The Student Activity Fund accounts should be reviewed. Accounts not meeting the criteria for co-curricular and extra-curricular activities in accordance with Chapter 298A.8 of the Code of Iowa should be closed to the General Fund or Enterprise Fund, as appropriate. Accounts used as temporary clearing accounts should be closed at the end of each fiscal year.

Response – These accounts are being phased out. These accounts will be re-allocated or spent on activity items in the future until expended fully.

Conclusion – Response accepted.

II-M-04 Deficit Fund Balances – Three Special Revenue Funds had deficit fund balances at June 30, 2004.

Recommendation – The District should investigate alternatives to eliminate these deficit balances in order to return the funds to a sound financial condition.

Response – The District is investigating alternatives to eliminate deficit fund balances at the end of the fiscal year.

Conclusion – Response accepted.